

CLARKE COUNTY

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

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CLARKE COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2007)		
Myron Manley	Board of Supervisors	Jan. 2007
Jack Cooley	Board of Supervisors	Jan. 2009
Donald Reasoner	Board of Supervisors	Jan. 2009
Judy Church	County Auditor	Jan. 2009
Kim Reynolds	County Treasurer	Jan. 2007
Pennie Gonseth	County Recorder	Jan. 2007
Mark Addison	County Sheriff	(Resigned Sept. 30, 2006)
Bill Kerns	County Sheriff	(Appointed Nov. 6, 2006) Jan. 2009
Elisabeth S. Reynoldson	County Attorney	Jan. 2007
Walt Paschell	County Assessor	Jan. 2010
(After January 2007)		
Myron Manley	Board of Supervisors	Jan. 2011
Jack Cooley	Board of Supervisors	Jan. 2009
Donald Reasoner	Board of Supervisors	Jan. 2009
Judy Church	County Auditor	Jan. 2009
Kim Reynolds	County Treasurer	Jan. 2011
Pennie Gonseth	County Recorder	Jan. 2011
Bill Kerns	County Sheriff	Jan. 2009
Ronald L. Wheeler	County Attorney	Jan. 2011
Walt Paschell	County Assessor	Jan. 2010

INDEPENDENT AUDITOR'S REPORT

To the Officials of Clarke County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clarke County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Clarke County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clarke County as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 20, 2008 on our consideration of Clarke County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 44 through 46 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

The County has not presented management's discussion and analysis, which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information, that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Clarke County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
February 20, 2008

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Basic Financial Statements

CLARKE COUNTY
STATEMENT OF NET ASSETS
June 30, 2007

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 5,048,114
Receivables:	
Property tax:	
Delinquent	35,931
Succeeding year	3,010,000
Interest and penalty on property tax	171,299
Accounts	56,047
Accrued interest	39,749
Due from other governments	316,050
Contract receivable (note 4)	20,000
Inventories	157,581
Prepaid expenses	109,151
Capital assets, net of accumulated depreciation (note 5)	<u>12,987,479</u>
Total assets	<u>21,951,401</u>
Liabilities	
Accounts payable	126,609
Salaries and benefits payable	52,824
Due to other governments (note 6)	328,891
Accrued interest payable	90,350
Deferred revenue:	
Succeeding year property tax	3,010,000
Long-term liabilities (note 7):	
Portion due or payable within one year:	
Capital loan notes	118,750
Real estate purchase agreement	20,880
Local option sales and services tax revenue bonds	184,920
Child care center revenue notes	5,933
Promissory note	18,051
Compensated absences	127,700
Portion due or payable after one year:	
Capital loan notes	120,000
Real estate purchase agreement	42,522
Local option sales and services tax revenue bonds	2,478,020
Child care center revenue notes	532,996
Promissory note	<u>80,716</u>
Total liabilities	<u>7,339,162</u>

CLARKE COUNTY
STATEMENT OF NET ASSETS
June 30, 2007

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 9,543,441
Restricted for:	
Supplemental levy purposes	353,887
Rural services	298,243
Secondary roads	624,948
Local option sales and services tax purposes	3,030,942
Debt service	9,062
Capital projects	5,107
Other special revenue purposes	153,841
Inmate room and board	35,149
Unrestricted	<u>557,619</u>
Total net assets	<u>\$ 14,612,239</u>

See notes to financial statements.

CLARKE COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
Governmental Activities:					
Public safety and legal services	\$ 1,545,101	\$ 442,811	\$ -	\$ -	(1,102,290)
Physical health and social services	927,940	117,354	283,402	-	(527,184)
Mental health	1,032,628	25	586,191	-	(446,412)
County environment and education	259,577	13,093	13,869	140,029	(92,586)
Roads and transportation	2,693,270	221,849	1,514,015	278,481	(678,925)
Government services to residents	312,667	171,289	-	-	(141,378)
Administration	754,415	8,181	317	-	(745,917)
Interest on long-term debt	201,877	-	76,041	-	(125,836)
Total	\$ 7,727,475	\$ 974,602	\$ 2,473,835	\$ 418,510	(3,860,528)
General Revenues:					
Property and other county tax levied for:					
General purposes					2,817,530
Debt service					83,324
Penalty and interest on property tax					60,778
State tax credits					153,426
Local option sales and services tax					1,015,408
Gaming tax					291,176
Unrestricted investment earnings					283,731
Total general revenues					4,705,373
Change in net assets					844,845
Net assets beginning of year					13,767,394
Net assets end of year					\$ 14,612,239

See notes to financial statements.

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CLARKE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	<u>Special Revenue</u>			
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>
Assets				
Cash and pooled investments	\$ 686,133	\$ 326,400	\$ 305,209	\$ 395,951
Receivables:				
Property tax:				
Delinquent	24,029	5,381	5,441	-
Succeeding year	1,867,000	411,000	582,000	-
Interest and penalty on property tax	171,299	-	-	-
Accounts	50,160	-	-	5,734
Accrued interest	39,372	-	-	-
Due from other governments	43,921	1,250	-	144,453
Contract receivable (note 4)	-	-	-	20,000
Inventories	-	-	-	157,581
Prepaid expenses	85,690	-	-	23,461
Total assets	<u>\$ 2,967,604</u>	<u>\$ 744,031</u>	<u>\$ 892,650</u>	<u>\$ 747,180</u>

<u>Local Option Sales and Services Tax Revenue</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,462,255	\$ 697,068	\$ 4,873,016
-	1,080	35,931
-	150,000	3,010,000
-	-	171,299
-	153	56,047
-	377	39,749
123,836	2,590	316,050
-	-	20,000
-	-	157,581
-	-	109,151
<u>\$ 2,586,091</u>	<u>\$ 851,268</u>	<u>\$ 8,788,824</u>

CLARKE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 54,381	\$ 14,324	\$ 490	\$ 57,414
Salaries and benefits payable	32,892	72	4,636	15,224
Due to other governments (note 6)	-	328,891	-	-
Deferred revenue:				
Succeeding year property tax	1,867,000	411,000	582,000	-
Other	195,328	5,381	5,441	20,000
Total liabilities	<u>2,149,601</u>	<u>759,668</u>	<u>592,567</u>	<u>92,638</u>
Fund balance:				
Reserved for:				
Inventories	-	-	-	157,581
Prepaid expenses	85,690	-	-	23,461
Supplemental levy purposes	316,887	-	-	-
Debt service	-	-	-	-
Local option sales and services tax revenue bonds	-	-	-	-
Inmate room and board	35,149	-	-	-
Unreserved, reported in:				
General fund	380,277	-	-	-
Special revenue funds	-	(15,637)	300,083	473,500
Capital projects fund	-	-	-	-
Total fund balances	<u>818,003</u>	<u>(15,637)</u>	<u>300,083</u>	<u>654,542</u>
Total liabilities and fund balances	<u>\$ 2,967,604</u>	<u>\$ 744,031</u>	<u>\$ 892,650</u>	<u>\$ 747,180</u>

See notes to financial statements.

<u>Local Option</u> <u>Sales and</u> <u>Services Tax</u> <u>Revenue</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
\$ -	\$ -	\$ 126,609
-	-	52,824
-	-	328,891
-	150,000	3,010,000
-	1,080	227,230
-	151,080	3,745,554
-	-	157,581
-	-	109,151
-	-	316,887
-	34,610	34,610
-	506,630	506,630
-	-	35,149
-	-	380,277
2,586,091	153,841	3,497,878
-	5,107	5,107
<u>2,586,091</u>	<u>700,188</u>	<u>5,043,270</u>
<u>\$ 2,586,091</u>	<u>\$ 851,268</u>	<u>\$ 8,788,824</u>

CLARKE COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2007

Total fund balances of governmental funds	\$ 5,043,270
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$19,730,429 and the accumulated depreciation is \$6,742,950.	12,987,479
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	227,230
The Internal Service Funds are used by management to charge the costs of the County's health insurance and flexible benefits plans to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets.	175,098
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(90,350)
Long-term liabilities, including bonds payable, notes payable, purchase agreements payable, and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(3,730,488)</u>
Net assets of governmental activities	<u>\$ 14,612,239</u>
See notes to financial statements.	

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CLARKE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 2,118,972	\$ 409,514	\$ 571,032	\$ -
Interest and penalty on property tax	36,111	-	-	-
Intergovernmental	810,511	607,360	33,654	1,802,497
Licenses and permits	5,150	-	3,385	700
Charges for service	235,839	-	800	455
Use of money and property	276,813	-	-	-
Miscellaneous	26,032	25	642	220,694
Total revenues	3,509,428	1,016,899	609,513	2,024,346
Expenditures:				
Operating:				
Public safety and legal services	1,237,347	-	210,740	-
Physical health and social services	919,485	-	-	-
Mental health	-	1,032,628	-	-
County environment and education	168,573	-	82,009	-
Roads and transportation	-	-	-	2,224,277
Government services to residents	304,194	-	-	-
Administration	697,713	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	299,456
Total expenditures	3,327,312	1,032,628	292,749	2,523,733
Excess (deficiency) of revenues over (under) expenditures	182,116	(15,729)	316,764	(499,387)
Other financing sources (uses):				
Sale of capital assets	7,058	-	-	-
Interfund transfers in	-	-	-	465,000
Interfund transfers out	(67,016)	-	(452,500)	-
Promissory note issued	-	-	-	98,767
Total other financing sources (uses)	(59,958)	-	(452,500)	563,767

Local Option Sales and Services Tax Revenue		Nonmajor Governmental Funds	Total
\$	1,015,408	\$ 83,065	\$ 4,197,991
	-	-	36,111
	-	91,638	3,345,660
	-	-	9,235
	-	25,727	262,821
	-	9,169	285,982
	-	7,104	254,497
	<u>1,015,408</u>	<u>216,703</u>	<u>8,392,297</u>
	-	9,460	1,457,547
	-	-	919,485
	-	-	1,032,628
	-	-	250,582
	-	-	2,224,277
	-	181	304,375
	-	-	697,713
24,928	503,763		528,691
	83,864		383,320
<u>24,928</u>	<u>597,268</u>		<u>7,798,618</u>
<u>990,480</u>	<u>(380,565)</u>		<u>593,679</u>
	-	-	7,058
	-	533,557	998,557
(479,041)	-		(998,557)
	-	-	98,767
<u>(479,041)</u>	<u>533,557</u>		<u>105,825</u>

CLARKE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	<u>Special Revenue</u>			
	<u>General</u>	<u>Mental Health</u>	<u>Rural Services</u>	<u>Secondary Roads</u>
Net change in fund balances	\$ 122,158	\$ (15,729)	\$ (135,736)	\$ 64,380
Fund balances beginning of year	695,845	92	435,819	590,162
Fund balances end of year	<u>\$ 818,003</u>	<u>\$ (15,637)</u>	<u>\$ 300,083</u>	<u>\$ 654,542</u>

See notes to financial statements.

<u>Local Option Sales and Services Tax Revenue</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
\$ 511,439	\$ 152,992	\$ 699,504
<u>2,074,652</u>	<u>547,196</u>	<u>4,343,766</u>
<u>\$ 2,586,091</u>	<u>\$ 700,188</u>	<u>\$ 5,043,270</u>

CLARKE COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Net change in fund balances - total governmental funds \$ 699,504

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures while
governmental activities report depreciation expense to allocate those
expenditures over the life of the assets. The amount of capital outlay
expenditures and depreciation expense in the current year are as follows:

Capital outlays	\$ 535,741	
Capital asset contributions	140,029	
Depreciation expense	<u>(713,036)</u>	(37,266)

Because some revenues will not be collected for several months after the
County's year end, they are not considered available revenues and are
deferred in the governmental funds, as follows:

Property tax	9,447	
Other	<u>14,667</u>	24,114

Proceeds from issuing long-term liabilities provide current financial resources
to governmental funds, but issuing debt increases long-term liabilities in the
Statement of Net Assets. (98,767)

Repayments of bond, note, and purchase agreement principal are expenditures
in the governmental funds, but the repayments reduce long-term liabilities
in the Statement of Net Assets. 323,710

Some expenses reported in the Statement of Activities do not require the use
of current financial resources and, therefore, are not reported as
expenditures in the governmental funds, as follows:

Compensated absences	1,588	
Interest on long-term debt	<u>3,104</u>	4,692

The Internal Service Funds are used by management to charge the costs of
employee health and flexible spending benefits to individual funds. The
change in net assets of the Internal Service Funds is reported with
governmental activities. (71,142)

Change in net assets of governmental activities \$ 844,845

See notes to financial statements.

CLARKE COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007

	<u>Internal Service Funds</u>
Assets	
Cash and cash equivalents	\$ <u>175,098</u>
Liabilities	
None	<u>-</u>
Net Assets	
Unrestricted	\$ <u><u>175,098</u></u>
See notes to financial statements.	

CLARKE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2007

	Internal Service Funds
	<u> </u>
Operating revenues:	
Charges to operating funds	\$ 510,346
Charges to employees and others	<u>138,352</u>
Total operating revenues	<u>648,698</u>
Operating expenses:	
Insurance premiums	309,791
Medical claims	239,630
Flexible spending claims	36,730
Administrative fees	<u>142,511</u>
Total operating expenses	<u>728,662</u>
Operating loss	(79,964)
Non-operating revenues:	
Interest on investments	<u>8,822</u>
Net loss	(71,142)
Net assets beginning of year	<u>246,240</u>
Net assets end of year	<u>\$ 175,098</u>

See notes to financial statements.

CLARKE COUNTY
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 Year Ended June 30, 2007

	Internal Service Funds
	<u> </u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 510,346
Cash received from employees and others	138,352
Cash payments to suppliers for services	<u>(728,662)</u>
Net cash used by operating activities	<u>(79,964)</u>
Cash flows from investing activities:	
Interest on investments	<u>8,822</u>
Net decrease in cash and cash equivalents	(71,142)
Cash and cash equivalents at beginning of year	<u>246,240</u>
Cash and cash equivalents at end of year	<u><u>\$ 175,098</u></u>

See notes to financial statements.

CLARKE COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2007

Assets	
Cash and pooled investments:	
County Treasurer	\$ 433,681
Other County officials	34,492
Receivables:	
Property tax:	
Delinquent	115,407
Succeeding year	8,681,000
Due from other governments	43,919
Prepaid expenses	<u>3,683</u>
Total assets	<u>9,312,182</u>
Liabilities	
Accounts payable	29,954
Salaries and benefits payable	9,361
Due to other governments (note 6)	9,131,933
Trusts payable	128,143
Compensated absences	<u>12,791</u>
Total liabilities	<u>9,312,182</u>
Net assets	\$ <u><u>-</u></u>

See notes to financial statements.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies

Clarke County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Clarke County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County. Clarke County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Clarke County Assessor's Conference Board, Clarke County Hospital Board, and Clarke County Environmental Services Board, which handles the Emergency Management System. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

CLARKE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

The Local Option Sales and Services Tax Revenue Fund is used to account for the County's revenues and expenditures related to the local option sales and services tax.

Additionally, the County reports the following funds:

Proprietary Funds - Internal Service Funds are used to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

CLARKE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

The proprietary funds of the County apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2006.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 250,000
Land, buildings and improvements	5,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	25-50
Improvements other than buildings	10-50
Infrastructure	10-65
Equipment	3-20
Vehicles	5-15

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2007

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable, delinquent property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2007. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Rural Services and Secondary Roads Funds.

Long-term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amount budgeted in the debt service function at year end. Disbursements also exceeded the amount budgeted in the Capital Projects function prior to the amendment of the County budget. In addition, disbursements in one department exceeded the amount appropriated.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2007

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,498,176 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in Iowa Public Agency Investment Trust is unrated.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Secondary Roads	General	\$ 25,000
	Special Revenue:	
	Rural Services	440,000
SIRWA Grid Project Sinking	Rural Services	12,500
Local Option Sales and Services Tax Revenue Bond and Interest Sinking	Local Option Sales and Services Tax Revenue	479,041
Debt Service:		
Courthouse Projects	General	12,016
Capital Projects	General	<u>30,000</u>
		<u>\$ 998,557</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 4. Contract Receivable – Secondary Roads

As of June 30, 2007, the County has a long-term interest-free contract receivable from the City of Osceola for reimbursements from road paving. A summary of the payment schedule is as follows:

<u>Year Ending June 30,</u>	<u>City of Osceola</u>
2008	\$ 10,000
2009	<u>10,000</u>
Total	<u>\$ 20,000</u>

Note 5. Capital Assets

A summary of capital assets activity for the year ended June 30, 2007 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 372,654	\$ 199,000	\$ -	\$ 571,654
Construction in progress	-	327,002	-	327,002
Total capital assets not being depreciated	<u>372,654</u>	<u>526,002</u>	<u>-</u>	<u>898,656</u>
Capital assets being depreciated:				
Buildings	6,137,340	-	-	6,137,340
Machinery and equipment	3,274,208	149,768	160,639	3,263,337
Infrastructure	9,431,096	-	-	9,431,096
Total capital assets being depreciated	<u>18,842,644</u>	<u>149,768</u>	<u>160,639</u>	<u>18,831,773</u>
Less accumulated depreciation for:				
Buildings	1,302,109	110,847	-	1,412,956
Machinery and equipment	2,280,064	287,819	160,639	2,407,244
Infrastructure	2,608,380	314,370	-	2,922,750
Total accumulated depreciation	<u>6,190,553</u>	<u>713,036</u>	<u>160,639</u>	<u>6,742,950</u>
Total capital assets being depreciated, net	<u>12,652,091</u>	<u>(563,268)</u>	<u>-</u>	<u>12,088,823</u>
Governmental activities capital assets, net	<u>\$ 13,024,745</u>	<u>\$ (37,266)</u>	<u>\$ -</u>	<u>\$ 12,987,479</u>

CLARKE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 5. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$ 111,866
County environment and education	7,014
Roads and transportation	547,955
Government services to residents	912
Administration	<u>45,289</u>

Total depreciation expense - governmental activities	<u><u>\$ 713,036</u></u>
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Note 6. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Special Revenue:		
Mental Health	Services	\$ <u><u>328,891</u></u>
Agency:		
County Assessor	Collections	\$ 246,102
Schools		4,322,075
Area Schools		185,307
Corporations		2,768,172
County Hospital		1,224,933
Auto License and Use Tax		165,210
All Other		<u>220,134</u>
Total for agency funds		<u><u>\$ 9,131,933</u></u>

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Capital Loan Notes	\$ 352,500	\$ -	\$ 113,750	\$ 238,750	\$ 118,750
Real Estate Purchase Agreement	82,778	-	19,376	63,402	20,880
Local Option Sales and Services					
Tax Revenue Bonds	2,847,860	-	184,920	2,662,940	184,920
Child Care Center Revenue Notes	544,593	-	5,664	538,929	5,933
Promissory Note	-	98,767	-	98,767	18,051
Compensated Absences	129,288	127,700	129,288	127,700	127,700
Total	<u>\$ 3,957,019</u>	<u>\$ 226,467</u>	<u>\$ 452,998</u>	<u>\$ 3,730,488</u>	<u>\$ 476,234</u>

Capital Loan Notes Payable

A summary of the County's general obligation capital loan note indebtedness at June 30, 2007 is as follows:

Year Ending June 30,	Series Dated September 1, 1994			Series Dated July 15, 1999		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2008	5.90 %	\$ 40,000	\$ 7,200	4.625 %	\$ 40,000	\$ 3,710
2009	6.00	40,000	4,840	4.625	40,000	1,850
2010	6.10	40,000	2,400	4.625	-	-
		<u>\$ 120,000</u>	<u>\$ 14,440</u>		<u>\$ 80,000</u>	<u>\$ 5,560</u>

Year Ending June 30,	Series Dated January 15, 2004			Total	
	Interest Rates	Principal	Interest	Principal	Interest
2008	3.70 %	\$ 38,750	\$ 1,434	\$ 118,750	\$ 12,344
2009	-	-	-	80,000	6,690
2010	-	-	-	40,000	2,400
		<u>\$ 38,750</u>	<u>\$ 1,434</u>	<u>\$ 238,750</u>	<u>\$ 21,434</u>

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 7. Long-Term Liabilities (continued)

Real Estate Purchase Agreement

During the year ended June 30, 2000, the County entered into an agreement to purchase 6.2 acres of land, at a cost of \$175,000, for a new jail site. The contract is payable in 120 monthly installments of \$2,077 commencing April 4, 2000, including interest at an effective annual rate of 7.763%.

A summary of the County's June 30, 2007, real estate contract purchase agreement indebtedness is as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 20,880	\$ 4,047	\$ 24,927
2009	22,501	2,426	24,927
2010	20,021	680	20,701
	<u>\$ 63,402</u>	<u>\$ 7,153</u>	<u>\$ 70,555</u>

Local Option Sales and Services Tax Revenue Bonds

Details of the County's local option sales and services tax revenue bonds at June 30, 2007 are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2008	5.55 %	\$ 184,920	\$ 145,227	\$ 330,147
2009	5.55	184,920	134,964	319,884
2010	5.55	184,920	124,701	309,621
2011	5.55	184,920	114,438	299,358
2012	5.55	1,923,260	53,370	1,976,630
		<u>\$ 2,662,940</u>	<u>\$ 572,700</u>	<u>\$ 3,235,640</u>

The local option sales and services tax revenue bonds were issued for the purpose of refunding the jail construction draw-down loan. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the County and local participating incorporated and unincorporated areas in accordance with Chapter 422B.12 of the Code of Iowa. The bonds are not a general obligation of the County. The debt, however, is subject to the constitutional debt limitation of the County.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 7. Long-Term Liabilities (continued)

Local Option Sales and Services Tax Revenue Bonds (continued)

The resolution providing for the issuance of the local option sales and services revenue bonds includes the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the local option sales and services tax revenues received by the County and the bond holders hold a lien on the future revenues received.
- (b) Sufficient monthly deposits amounting to one sixth of the next principal and interest payments shall be made to the Local Option Sales and Services Tax Revenue Bond and Interest Sinking Fund for the purpose of making the bond principal and interest payments when due.
- (c) A separate bond reserve fund will be maintained in the amount of \$368,000 to be used solely for the purpose of paying principal and interest in the event the revenue fund does not have sufficient funds for that purpose. This fund is called the Local Option Sales and Services Tax Reserve Fund.

Child Care Center Revenue Notes

Details of the County's June 30, 2007 child care center revenue notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2008	4.75 %	\$ 5,933	\$ 25,599	\$ 31,532
2009	4.75	6,215	25,317	31,532
2010	4.75	6,510	25,022	31,532
2011	4.75	6,819	24,713	31,532
2012	4.75	7,143	24,389	31,532
2013-2017	4.75	41,138	116,522	157,660
2018-2022	4.75	51,882	105,778	157,660
2023-2027	4.75	65,431	92,229	157,660
2028-2032	4.75	82,520	75,140	157,660
2033-2037	4.75	104,070	53,590	157,660
2038-2042	4.75	131,250	26,410	157,660
2043	4.75	30,018	1,432	31,450
		<u>\$ 538,929</u>	<u>\$ 596,141</u>	<u>\$ 1,135,070</u>

In August 2002, the County entered into a USDA Rural Development loan agreement for Child Care Center Revenue Notes in the amount of \$550,000 to finance a portion of the cost of the construction and furnishing of a child care and early education center. The notes will be paid over forty years with an annual interest rate of 4.75%. The notes are payable solely from the revenues of the child care center, which is to be operated by The Village, Ltd., an Iowa nonprofit corporation. The notes are not a general obligation of the County and are not subject to the constitutional debt limitation of the County.

CLARKE COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 7. Long-Term Liabilities (continued)

Child Care Center Revenue Notes (continued)

The resolution providing for the issuance of the child care center revenue notes includes the following provisions:

- (a) The notes will only be redeemed from the revenues derived from the operation of the child care center. Revenues sufficient to pay principal and interest on the notes are to be received from The Village, Ltd. by July 1 of each year when the payment is due.
- (b) Monthly deposits of \$263 from the child care center shall be made to the Child Care Center Reserve Fund until the sum of \$31,532 has been accumulated in the fund. The fund is to be used solely for the purpose of paying principal and interest in the event the revenue fund does not have sufficient funds for that purpose.
- (c) Monthly deposits of \$200 from the child care center shall also be made to the Child Care Center Reserve Fund for funded depreciation.

Promissory Note

During the year ended June 30, 2007, the County borrowed \$98,767 on a bank promissory note. The note is payable in five annual payments including interest at 4.8%. The proceeds were used to purchase a dump truck.

A summary of the County's promissory note indebtedness at June 30, 2007 is as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 18,051	\$ 4,663	\$ 22,714
2009	18,839	3,875	22,714
2010	19,744	2,970	22,714
2011	20,691	2,023	22,714
2012	21,442	1,029	22,471
	<u>\$ 98,767</u>	<u>\$ 14,560</u>	<u>\$ 113,327</u>

Note 8. Radio Equipment Operating Lease

The Secondary Roads Department is leasing a radio communications system with monthly lease payments of \$696. The lease is indefinite but the monthly lease payments per radio unit used are guaranteed until June 30, 2008. The County has the option to cancel the lease at any time. The minimum lease payments due in the next year is \$8,342. Rental expense for the year ended June 30, 2007 was \$8,124.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2007

Note 9. Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$163,426, \$169,647, \$160,395, respectively, equal to the required contributions for each year.

Note 10. Risk Management

Clarke County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 556 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2007 were \$96,199.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual member basis.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS Year Ended June 30, 2007

Note 10. Risk Management (continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2007, no liability has been recorded in the County's financial statements. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11. Construction Commitment

The County has entered into contracts totaling \$529,222 for bridge construction. As of June 30, 2007, costs of \$302,108 have been incurred against the contracts. The balance remaining at June 30, 2007 of \$227,114 will be paid as work on the project progresses.

Note 12. Contingent Liabilities

Hospital Revenue Bonds

Clarke County has issued general obligation hospital revenue bonds in accordance with Chapter 347A.1 of the Code of Iowa. The proceeds were used to remodel the hospital and build an ambulance garage. The bonds are payable primarily from revenues of the hospital. The balance of bonds unpaid at June 30, 2007 is \$460,000. The County is contingently liable for any debt service payments not covered by hospital revenues.

Litigation

The County is involved in various ongoing lawsuits. The cases have not gone to trial yet and the outcomes cannot be determined at this time. The County's insurance carrier is providing coverage for the lawsuits.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2007

Note 13. Subsequent Events

In August 2007, the County redeemed the \$2,570,480 outstanding balance of the local option sales and services tax revenue bonds.

On October 15, 2007, the County issued \$400,000 of general obligation capital loan notes. Proceeds from the issuance are to be used to acquire, equip, remodel, and reconstruct a County Community Services Building. The notes will be paid over seven years with interest rates ranging from 4.00% to 4.75%.

Required Supplementary Information

CLARKE COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds
Required Supplementary Information
Year Ended June 30, 2007

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
RECEIPTS:				
Property and other County tax	\$ 4,227,878	\$ 3,697,940	\$ 3,697,940	\$ 529,938
Interest and penalty on property tax	36,111	45,000	45,000	(8,889)
Intergovernmental	3,337,443	2,775,685	3,221,945	115,498
Licenses and permits	9,075	12,550	12,850	(3,775)
Charges for service	263,946	270,920	294,262	(30,316)
Use of money and property	257,167	169,750	169,750	87,417
Miscellaneous	264,813	246,456	351,056	(86,243)
Total receipts	<u>8,396,433</u>	<u>7,218,301</u>	<u>7,792,803</u>	<u>603,630</u>
DISBURSEMENTS:				
Public safety and legal services	1,461,050	1,452,849	1,495,869	34,819
Physical health and social services	923,817	939,705	969,047	45,230
Mental health	1,064,517	1,064,940	1,064,940	423
County environment and education	247,428	266,067	276,522	29,094
Roads and transportation	2,272,866	2,184,800	2,434,800	161,934
Government services to residents	307,126	297,241	327,143	20,017
Administration	705,491	725,966	744,038	38,547
Debt service	528,690	528,650	528,650	(40)
Capital projects	404,104	127,300	995,611	591,507
Total disbursements	<u>7,915,089</u>	<u>7,587,518</u>	<u>8,836,620</u>	<u>921,531</u>
Excess (deficiency) of receipts over (under) disbursements	481,344	(369,217)	(1,043,817)	1,525,161
Other financing sources, net	<u>105,825</u>	<u>76,145</u>	<u>476,145</u>	<u>(370,320)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	587,169	(293,072)	(567,672)	1,154,841
Balance beginning of year	<u>4,285,847</u>	<u>3,769,900</u>	<u>3,769,900</u>	<u>515,947</u>
Balance end of year	<u>\$ 4,873,016</u>	<u>\$ 3,476,828</u>	<u>\$ 3,202,228</u>	<u>\$ 1,670,788</u>

See accompanying independent auditor's report.

CLARKE COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation Required Supplementary Information Year Ended June 30, 2007

	Governmental Funds		
	Cash	Accrual	Modified
	Basis	Adjust- ments	Accrual Basis
Revenues	\$ 8,396,433	\$ (4,136)	\$ 8,392,297
Expenditures	7,915,089	(116,471)	7,798,618
Net	481,344	112,335	593,679
Other financing sources	105,825	-	105,825
Beginning fund balances	4,285,847	57,919	4,343,766
Ending fund balances	<u>\$ 4,873,016</u>	<u>\$ 170,254</u>	<u>\$ 5,043,270</u>

See accompanying independent auditor's report.

CLARKE COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except internal service funds and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, three budget amendments increased budgeted disbursements by \$1,249,102. These budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board and for Emergency Management Services by the County Environmental Services Board.

During the year ended June 30, 2007, disbursements exceeded the amount budgeted in the capital projects function prior to the amendment of the budget and exceeded the amount budgeted in the debt service function at year end. In addition, disbursements in one department exceeded the amount appropriated. Also, disbursements exceeded the amount budgeted for the County Extension Office.

Other Supplementary Information

CLARKE COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2007

	Special Revenue			
	County Recorder's Records Management	REAP	Conservation Land Acquisition	Environmental Education
Assets				
Cash and pooled investments	\$ 8,603	\$ 62,204	\$ 3,424	\$ 25,173
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	153	-	-	-
Accrued interest	57	133	-	187
Due from other governments	-	2,590	-	-
Total assets	<u>\$ 8,813</u>	<u>\$ 64,927</u>	<u>\$ 3,424</u>	<u>\$ 25,360</u>
Liabilities and Fund Equity				
Liabilities:				
Deferred revenue:				
Succeeding year property tax	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:				
Fund balances:				
Reserved for:				
Debt service	-	-	-	-
Local option sales and services tax revenue bonds	-	-	-	-
Unreserved	8,813	64,927	3,424	25,360
Total fund equity	<u>8,813</u>	<u>64,927</u>	<u>3,424</u>	<u>25,360</u>
Total liabilities and fund equity	<u>\$ 8,813</u>	<u>\$ 64,927</u>	<u>\$ 3,424</u>	<u>\$ 25,360</u>

					Debt Service	
<u>Drug Forfeiture</u>	<u>County Attorney Forfeiture</u>	<u>Local Option Sales and Services Tax Revenue Bond and Interest Sinking</u>	<u>Local Option Sales and Services Tax Reserve</u>	<u>SIRWA Grid Project Sinking</u>	<u>Courthouse Projects</u>	<u>Landfill Project</u>
\$ 13,962	\$ 12,355	\$ 138,630	\$ 368,000	\$ 25,000	\$ 11,107	\$ 1,742
-	-	-	-	-	1,080	-
-	-	-	-	-	150,000	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 13,962</u>	<u>12,355</u>	<u>\$ 138,630</u>	<u>\$ 368,000</u>	<u>\$ 25,000</u>	<u>\$ 162,187</u>	<u>\$ 1,742</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,000	\$ -
-	-	-	-	-	1,080	-
-	-	-	-	-	151,080	-
-	-	-	-	-	11,107	1,742
-	-	138,630	368,000	-	-	-
13,962	12,355	-	-	25,000	-	-
<u>13,962</u>	<u>12,355</u>	<u>138,630</u>	<u>368,000</u>	<u>25,000</u>	<u>11,107</u>	<u>1,742</u>
<u>\$ 13,962</u>	<u>\$ 12,355</u>	<u>\$ 138,630</u>	<u>\$ 368,000</u>	<u>\$ 25,000</u>	<u>\$ 162,187</u>	<u>\$ 1,742</u>

CLARKE COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2007

	<u>Child Care Center Reserve</u>	<u>Capital Projects</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 21,761	\$ 5,107	\$ 697,068
Receivables:			
Property tax:			
Delinquent	-	-	1,080
Succeeding year	-	-	150,000
Accounts	-	-	153
Accrued interest	-	-	377
Due from other governments	-	-	2,590
	<u>21,761</u>	<u>5,107</u>	<u>851,268</u>
Total assets	\$ <u>21,761</u>	\$ <u>5,107</u>	\$ <u>851,268</u>
Liabilities and Fund Equity			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ -	\$ -	\$ 150,000
Other	-	-	1,080
Total liabilities	<u>-</u>	<u>-</u>	<u>151,080</u>
Fund equity:			
Fund balances:			
Reserved for:			
Debt service	21,761	-	34,610
Local option sales and services tax revenue bonds	-	-	506,630
Unreserved	-	5,107	158,948
Total fund equity	<u>21,761</u>	<u>5,107</u>	<u>700,188</u>
Total liabilities and fund equity	\$ <u>21,761</u>	\$ <u>5,107</u>	\$ <u>851,268</u>

See accompanying independent auditor's report.

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CLARKE COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2007

	Special Revenue			
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	REAP	Conservation Land Acquisition
Revenues:				
Property and other County tax	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	13,869	-
Charges for service	2,585	-	-	-
Use of money and property	238	-	1,590	6,650
Miscellaneous	-	-	-	200
Total revenues	<u>2,823</u>	<u>-</u>	<u>15,459</u>	<u>6,850</u>
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
Government services to residents	-	181	-	-
Debt service	-	-	-	-
Capital projects	-	-	18,971	40,000
Total expenditures	<u>-</u>	<u>181</u>	<u>18,971</u>	<u>40,000</u>
Excess (deficiency) of revenues over (under) expenditures	2,823	(181)	(3,512)	(33,150)
Other financing sources:				
Interfund transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	2,823	(181)	(3,512)	(33,150)
Fund balances beginning of year	<u>5,990</u>	<u>181</u>	<u>68,439</u>	<u>36,574</u>
Fund balances end of year	<u>\$ 8,813</u>	<u>\$ -</u>	<u>\$ 64,927</u>	<u>\$ 3,424</u>

						Debt Service
Environmental Education	Drug Forfeiture	County Attorney Forfeiture	Local Option Sales and Services Tax Revenue Bond and Interest Sinking	Local Option Sales and Services Tax Reserve	SIRWA Grid Project Sinking	Courthouse Projects
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 83,065
-	-	-	-	-	-	30,000
-	23,142	-	-	-	-	-
691	-	-	-	-	-	-
500	-	4,004	-	-	-	-
1,191	23,142	4,004	-	-	-	113,065
-	9,180	280	-	-	-	-
-	-	-	-	-	-	-
-	-	-	340,411	-	-	118,739
-	-	-	-	-	-	-
-	9,180	280	340,411	-	-	118,739
1,191	13,962	3,724	(340,411)	-	-	(5,674)
-	-	-	479,041	-	12,500	12,016
1,191	13,962	3,724	138,630	-	12,500	6,342
24,169	-	8,631	-	368,000	12,500	4,765
\$ 25,360	\$ 13,962	\$ 12,355	\$ 138,630	\$ 368,000	\$ 25,000	\$ 11,107

CLARKE COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2007

	Landfill Project	Child Care Center Reserve	Capital Projects	Total
Revenues:				
Property and other County tax	\$ -	\$ -	\$ -	83,065
Intergovernmental	44,613	3,156	-	91,638
Charges for service	-	-	-	25,727
Use of money and property	-	-	-	9,169
Miscellaneous	-	2,400	-	7,104
Total revenues	44,613	5,556	-	216,703
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	9,460
Government services to residents	-	-	-	181
Debt service	44,613	-	-	503,763
Capital projects	-	-	24,893	83,864
Total expenditures	44,613	-	24,893	597,268
Excess (deficiency) of revenues over (under) expenditures	-	5,556	(24,893)	(380,565)
Other financing sources:				
Interfund transfers in	-	-	30,000	533,557
Net change in fund balances	-	5,556	5,107	152,992
Fund balances beginning of year	1,742	16,205	-	524,484
Fund balances end of year	\$ 1,742	\$ 21,761	\$ 5,107	\$ 700,188

See accompanying independent auditor's report.

CLARKE COUNTY
 COMBINING SCHEDULE OF NET ASSETS
 INTERNAL SERVICE FUNDS
 June 30, 2007

	<u>Flexible Spending</u>	<u>Health Insurance</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ <u>11,035</u>	\$ <u>164,063</u>	\$ <u>175,098</u>
Liabilities			
None	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets			
Unrestricted	\$ <u><u>11,035</u></u>	\$ <u><u>164,063</u></u>	\$ <u><u>175,098</u></u>

See accompanying independent auditor's report.

CLARKE COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2007

	Flexible Spending	Principal Health	Total
Operating revenues:			
Charges to operating funds	\$ -	\$ 510,346	\$ 510,346
Charges to employees and others	37,953	100,399	138,352
Total operating revenues	<u>37,953</u>	<u>610,745</u>	<u>648,698</u>
Operating expenses:			
Insurance premiums	-	309,791	309,791
Medical claims	-	239,630	239,630
Flexible spending claims	36,730	-	36,730
Administrative fees	2,016	140,495	142,511
Total operating expenses	<u>38,746</u>	<u>689,916</u>	<u>728,662</u>
Operating loss	(793)	(79,171)	(79,964)
Non-operating revenues:			
Interest on investments	-	8,822	8,822
Net loss	(793)	(70,349)	(71,142)
Net assets beginning of year	<u>11,828</u>	<u>234,412</u>	<u>246,240</u>
Net assets end of year	<u>\$ 11,035</u>	<u>\$ 164,063</u>	<u>\$ 175,098</u>

See accompanying independent auditor's report.

CLARKE COUNTY
 COMBINING SCHEDULE OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 Year Ended June 30, 2007

	<u>Flexible Spending</u>	<u>Health Insurance</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from operating fund reimbursements	\$ -	\$ 510,346	\$ 510,346
Cash received from employees and others	37,953	100,399	138,352
Cash payments to suppliers for services	(38,746)	(689,916)	(728,662)
Net cash used by operating activities	<u>(793)</u>	<u>(79,171)</u>	<u>(79,964)</u>
Cash flows from investing activities:			
Interest on investments	<u>-</u>	<u>8,822</u>	<u>8,822</u>
Net decrease in cash and cash equivalents	(793)	(70,349)	(71,142)
Cash and cash equivalents at beginning of year	<u>11,828</u>	<u>234,412</u>	<u>246,240</u>
Cash and cash equivalents at end of year	<u>\$ 11,035</u>	<u>\$ 164,063</u>	<u>\$ 175,098</u>

See accompanying independent auditor's report.

CLARKE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2007

	County Offices		Agricultural	County
	County	County	Extension	Assessor
	Recorder	Sheriff	Education	
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ 919	\$ 48,826
Other County officials	6,294	28,198	-	-
Receivables:				
Property tax:				
Delinquent	-	-	739	2,596
Succeeding year	-	-	85,000	205,000
Due from other governments	-	-	-	-
Prepaid expenses	-	-	-	3,683
Total assets	\$ <u>6,294</u>	\$ <u>28,198</u>	\$ <u>86,658</u>	\$ <u>260,105</u>
LIABILITIES				
Accounts payable	\$ 6,260	\$ 16,905	\$ -	\$ 216
Salaries and benefits payable	-	-	-	2,611
Due to other governments	34	-	86,658	246,102
Trusts payable	-	11,293	-	-
Compensated absences	-	-	-	11,176
Total liabilities	\$ <u>6,294</u>	\$ <u>28,198</u>	\$ <u>86,658</u>	\$ <u>260,105</u>

<u>Schools</u>	<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>County Hospital</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ 67,013	\$ 2,942	\$ 30,524	\$ 2,025	\$ 19,889	\$ 570
-	-	-	-	-	-
55,062	2,365	37,648	938	16,044	15
4,200,000	180,000	2,700,000	121,000	1,189,000	1,000
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 4,322,075</u>	<u>\$ 185,307</u>	<u>\$ 2,768,172</u>	<u>\$ 123,963</u>	<u>\$ 1,224,933</u>	<u>\$ 1,585</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
4,322,075	185,307	2,768,172	123,963	1,224,933	1,585
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 4,322,075</u>	<u>\$ 185,307</u>	<u>\$ 2,768,172</u>	<u>\$ 123,963</u>	<u>\$ 1,224,933</u>	<u>\$ 1,585</u>

CLARKE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2007

	Auto License and Use Tax	Advance Tax	Tax Sale Redemption	Emergency Management
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 171,749	\$ 104,183	\$ 12,667	\$ 9,906
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Due from other governments	-	-	-	-
Prepaid expenses	-	-	-	-
	<hr/>			
Total assets	\$ <u>171,749</u>	\$ <u>104,183</u>	\$ <u>12,667</u>	\$ <u>9,906</u>
LIABILITIES				
Accounts payable	\$ 6,539	\$ -	\$ -	\$ 34
Salaries and benefits payable	-	-	-	553
Due to other governments	165,210	-	-	7,704
Trusts payable	-	104,183	12,667	-
Compensated absences	-	-	-	1,615
	<hr/>			
Total liabilities	\$ <u>171,749</u>	\$ <u>104,183</u>	\$ <u>12,667</u>	\$ <u>9,906</u>

See accompanying independent auditor's report.

County Recorder's Electronic Transaction Fee	Homemakers Health Payroll	Total
\$ 190	\$ (37,722)	\$ 433,681
-	-	34,492
-	-	115,407
-	-	8,681,000
-	43,919	43,919
-	-	3,683
<u>\$ 190</u>	<u>\$ 6,197</u>	<u>\$ 9,312,182</u>
\$ -	\$ -	\$ 29,954
-	6,197	9,361
190	-	9,131,933
-	-	128,143
-	-	12,791
<u>\$ 190</u>	<u>\$ 6,197</u>	<u>\$ 9,312,182</u>

CLARKE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

Year Ended June 30, 2007

	County Offices		Agricultural	County
	County	County	Extension	Assessor
	Recorder	Sheriff	Education	
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 7,800	\$ 30,381	\$ 57,663	\$ 251,092
Additions:				
Property and other County tax	-	-	85,388	205,164
State tax credits	-	-	2,906	10,214
Office fees and collections	190,112	338,869	-	-
Auto license, use tax, drivers license and postage	-	-	-	-
Trusts	-	279,442	-	-
Assessments	-	-	-	-
Miscellaneous	-	-	-	1,244
Total additions	190,112	618,311	88,294	216,622
Deductions:				
Agency remittances:				
To other funds	95,911	351,301	-	-
To other governments	95,707	612	59,299	207,609
Trusts paid out	-	268,581	-	-
Total deductions	191,618	620,494	59,299	207,609
Balances end of year	\$ 6,294	\$ 28,198	\$ 86,658	\$ 260,105

<u>Schools</u>	<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>City Special Assessments</u>	<u>County Hospital</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ <u>4,259,189</u>	\$ <u>185,321</u>	\$ <u>2,585,226</u>	\$ <u>113,886</u>	\$ <u>2,025</u>	\$ <u>1,260,208</u>	\$ <u>1,017</u>
4,206,910	180,474	2,649,791	121,955	-	1,191,328	1,657
211,672	9,308	91,128	6,666	-	62,892	57
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	8,592	-	-
-	-	-	-	-	-	-
<u>4,418,582</u>	<u>189,782</u>	<u>2,740,919</u>	<u>128,621</u>	<u>8,592</u>	<u>1,254,220</u>	<u>1,714</u>
-	-	-	-	-	-	-
4,355,696	189,796	2,557,973	118,544	10,617	1,289,495	1,146
-	-	-	-	-	-	-
<u>4,355,696</u>	<u>189,796</u>	<u>2,557,973</u>	<u>118,544</u>	<u>10,617</u>	<u>1,289,495</u>	<u>1,146</u>
\$ <u><u>4,322,075</u></u>	\$ <u><u>185,307</u></u>	\$ <u><u>2,768,172</u></u>	\$ <u><u>123,963</u></u>	\$ <u><u>-</u></u>	\$ <u><u>1,224,933</u></u>	\$ <u><u>1,585</u></u>

CLARKE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

Year Ended June 30, 2007

	Auto License and Use Tax	Anatomical Gift, Public Awareness and Transportation	Advance Tax	Tax Sale Redemption
ASSETS AND LIABILITIES				
Balances beginning of year	\$ <u>132,536</u>	\$ <u>-</u>	\$ <u>111,877</u>	\$ <u>17,041</u>
Additions:				
Property and other County tax	-	-	-	-
State tax credits	-	-	-	-
Office fees and collections	-	-	-	-
Auto license, use tax, drivers license and postage	1,883,710	105	-	-
Trusts	-	-	134,565	176,421
Assessments	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	<u>1,883,710</u>	<u>105</u>	<u>134,565</u>	<u>176,421</u>
Deductions:				
Agency remittances:				
To other funds	74,650	-	-	-
To other governments	1,769,847	105	-	-
Trusts paid out	-	-	142,259	180,795
Total deductions	<u>1,844,497</u>	<u>105</u>	<u>142,259</u>	<u>180,795</u>
Balances end of year	\$ <u><u>171,749</u></u>	\$ <u><u>-</u></u>	\$ <u><u>104,183</u></u>	\$ <u><u>12,667</u></u>

See accompanying independent auditor's report.

<u>Emergency Management</u>	<u>County Recorder's Electronic Transaction Fee</u>	<u>Homemakers Health Payroll</u>	<u>Total</u>
\$ <u>17,150</u>	\$ <u>232</u>	\$ <u>5,909</u>	\$ <u>9,038,553</u>
-	-	-	8,642,667
-	-	-	394,843
-	2,455	-	531,436
-	-	-	1,883,815
-	-	-	590,428
-	-	-	8,592
36,851	-	316,883	354,978
<u>36,851</u>	<u>2,455</u>	<u>316,883</u>	<u>12,406,759</u>
-	-	-	521,862
44,095	2,497	316,595	11,019,633
-	-	-	591,635
<u>44,095</u>	<u>2,497</u>	<u>316,595</u>	<u>12,133,130</u>
\$ <u><u>9,906</u></u>	\$ <u><u>190</u></u>	\$ <u><u>6,197</u></u>	\$ <u><u>9,312,182</u></u>

CLARKE COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	2007	2006	2005	2004
Revenues:				
Property and other County tax	\$ 4,197,991	\$ 3,728,172	\$ 3,843,161	\$ 3,689,605
Interest and penalty on property tax	36,111	37,986	45,088	48,662
Intergovernmental	3,345,660	3,031,600	3,133,909	3,263,356
Licenses and permits	9,235	8,890	11,835	11,087
Charges for service	262,821	268,264	229,834	247,817
Use of money and property	285,982	192,814	115,778	87,039
Miscellaneous	254,497	323,628	307,346	259,402
Total	<u>\$ 8,392,297</u>	<u>\$ 7,591,354</u>	<u>\$ 7,686,951</u>	<u>\$ 7,606,968</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,457,547	\$ 1,369,187	\$ 1,308,070	\$ 1,324,079
Physical health and social services	919,485	897,918	847,740	849,017
Mental health	1,032,628	1,021,097	891,323	871,928
County environment and education	250,582	248,329	230,743	219,673
Roads and transportation	2,224,277	2,149,188	2,452,539	2,158,595
Government services to residents	304,375	388,646	312,804	275,606
Administration	697,713	729,359	671,734	679,515
Debt service	528,691	543,682	688,377	652,823
Capital projects	383,320	123,988	744,897	427,080
Total	<u>\$ 7,798,618</u>	<u>\$ 7,471,394</u>	<u>\$ 8,148,227</u>	<u>\$ 7,458,316</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Clarke County:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clarke County, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated February 20, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clarke County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clarke County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clarke County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Clarke County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood a misstatement of Clarke County's financial statements that is more than inconsequential will not be prevented or detected by Clarke County's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Clarke County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-07 and I-B-07 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clarke County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Clarke County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Clarke County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Clarke County and other parties to whom Clarke County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Clarke County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
February 20, 2008

CLARKE COUNTY
SCHEDULE OF FINDINGS
Year Ended June 30, 2007

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-07 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Ag Extension, Recorder, Sheriff
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.	Ag Extension, Recorder, Sheriff, Treasurer
(3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety.	Recorder, Sheriff
(4) After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.	Ag Extension, Auditor, Sheriff

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

CLARKE COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2007

Part I: Findings Related to the Basic Financial Statements (continued):

SIGNIFICANT DEFICIENCIES (continued):

I-A-07 Segregation of Duties (continued)

Responses –

Ag Extension – We will review procedures and try to make any necessary changes to improve internal control.

County Auditor – The Auditor is currently evaluating the disbursement transactions and documenting each review on the applicable disbursement records. Two individuals in most instances are now jointly involved in the check preparation, signing, and mailing process.

County Recorder – We have established a set of checks and balances to review each individual's work in the office, which gives us the maximum internal control possible using the limited number of office employees we have.

County Sheriff - We will review procedures and try to make any necessary changes to improve internal control.

County Treasurer – We will review procedures and try to make any necessary changes to improve internal control.

Conclusion – Responses accepted.

I-B-07 Financial Reporting – During the audit, we identified material amounts of receivables and capital asset additions not recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all receivables and capital asset additions are identified and included in the County's financial statements.

Response – We will review our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

Conclusion – Response accepted.

CLARKE COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-07 Certified Budget – Disbursements during the year ended June 30, 2007 exceeded the amount budgeted in the debt service function at year end. Disbursements also exceeded the amount budgeted in the capital projects function prior to the amendment of the County budget. Disbursements in the nondepartmental department exceeded the amount appropriated at year end and prior to the amendment of the appropriations.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the service area budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – We will amend the budget when required and appropriations will be watched more closely by the departments.

Conclusion – Response accepted.

- II-B-07 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-C-07 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-D-07 Business Transactions – No business transactions between the County and County officials or employees were noted.
- II-E-07 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.
- II-F-07 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-07 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.
- II-H-07 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).

CLARKE COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2007

Part II: Other Findings Related to Required Statutory Reporting (continued):

- II-I-07 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2007 exceeded the amount budgeted for the County Extension Office.

Recommendation – The budget should have been amended before disbursements were allowed to exceed the budget.

Response – We will monitor disbursements more closely in the future and amend the budget when required.

Conclusion – Response accepted.

- II-J-07 Financial Condition – The Special Revenue, Mental Health Fund had a negative fund balance of \$15,637 at June 30, 2007.

Recommendation – The County needs to explore alternatives to restore the Mental Health Fund to a sound financial condition.

Response – We will work on restoring the Mental Health Fund to a sound financial condition.

Conclusion – Response accepted.

- II-K-07 Cell Phone Allowance – We noted that some employees receive a flat dollar cell phone allowance but the payments did not go through the County's payroll process.

Recommendation – All flat dollar allowances should go through the payroll process with the appropriate taxes withheld. Alternatively, the County could switch to an accountable plan where employees would be reimbursed for actual business-related cell phone expenses reported. The County should also adopt a policy regarding cell phone reimbursements.

Response – We will change our procedures for cell phone allowances and consider adopting a County cell phone policy.

Conclusion – Response accepted.

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